

B. ABSTRACT

Project Number: IAF 05-042

Project Title: How Do Medicare Plan Options Affect VA Utilization and Outcomes?

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VAMC: VA Boston Healthcare System, 150 S. Huntington Ave., Boston, MA 02130

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BACKGROUND/RATIONALE: Starting in 2006, MMA makes outpatient drug coverage available to all Medicare beneficiaries, mostly through private health insurance plans. Although attractive to veterans because of convenience and subsidized rates, these plans offer coverage that is far from comprehensive, potentially placing veterans' health at additional risk (relative to VA care).

OBJECTIVES: This study had three objectives: Objective 1 was to study and quantify how veterans choose among their health insurance options. Objective 2 was to develop measures of comprehensiveness of coverage based on adjusted MCBS measures of VA use and cost. Objective 3 was to estimate the relationship between outcomes for veterans and the comprehensiveness of their drug and non-drug insurance coverage.

METHODS: We estimated three types of statistical models. The first related the generosity of Medicare health plan benefits to elderly veterans' decisions to enroll in VA, rely on Medicare, and/or purchase private insurance. The second associated proportions of respondents' drug and non-drug expenditures financed out-of-pocket with their choices among health coverage options, controlling for differences in utilization. After adjusting for individual-level variation in utilization, this model produced our measures of insurance coverage comprehensiveness. The third statistical model related these measures of insurance comprehensiveness to risk-adjusted mortality and preventable hospitalization rates for veterans and non-veterans. The population under study was all non-institutionalized veterans and non-veterans aged 65 and over and enrolled in Medicare.

FINDINGS/RESULTS: We used our models to forecast the degree of adverse selection expected in the new Medicare drug plans created by the Medicare Modernization Act of 2003 (MMA). We found that subsidy rates for the new plans would be sufficient to keep adverse selection at levels ensuring plan stability. Our models also indicated that the expansion of subsidized outpatient drug coverage created substantially more beneficiary value than the increase in payments to Medicare HMOs. In addition, we found that drug plan enrollees are substantially more sensitive to premium differences than are HMO enrollees. Finally, our analysis of veterans produced some evidence that comprehensiveness of coverage is related to reduced risk of mortality among elderly veterans with heart disease or diabetes. Unfortunately, data access restrictions limited the sample size available for this analysis and further work was postponed until such time as Medicare data again become available through VIREC.

STATUS: Complete

IMPACT: The results of this work will help VA researchers use MCBS and will establish a new method for relating variations in insurance coverage to outcomes. VA administrators and policymakers will find our results helpful in designing policy interventions to improve veterans' health outcomes by identifying and addressing gaps in coverage that may result from changes in the Medicare program.